

Message Text

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SUBJ: UN BUDGET CURRENCY

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1. COPY OF CCAQ REPORT ON THE EFFECTS OF CURRENCY INSTABILITY
ON BUDGETS (CO-ORDINATION/R.996) BEING FORWARDED DEPT UNDER
SEPARATE COVER. TEXT OF REPORT'S SUMMARY OF CONCLUSIONS
AND RECOMMENDATIONS APPEARS BELOW. COMMENTS AND
ADDITIONAL BACKGROUND INFORMATION ON JULY 7 ACC MEETING WILL
FOLLOW.

2. BEGIN TEXT: SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS
(A) MOST OF THE ADDITIONAL DOLLAR COSTS HAVE ARisen IN THREE
AREAS OF EXPENDITURE: GENERAL SERVICE SALARIES AND ALLOWANCES;
COMMON SERVICES; AND POST ADJUSTMENTS FOR STAFF IN THE
PROFESSIONAL AND HIGHER GRADES.
(B) THE MINIMUM ESTIMATED EXTRA COSTS HAVE TOTALLED \$3 MILLION
IN 1971; \$16.8 MILLION IN 1972; AND ON CURRENT ESTIMATES WILL
REACH \$31.2 MILLION IN 1973.
(C) THE DECISIONS OF GOVERNING AND LEGISLATIVE BODIES ON THE
WAYS IN WHICH THE EXTRA COSTS SHOULD BE INHANCED HAVE DIFFERED
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AS BETWEEN ORGANIZATIONS, SOME OF WHICH HAVE HAD LITTLE

DIFFICULTY IN OBTAINING AUTHORITY FOR SUPPLEMENTARY APPROPRIATIONS,
WHILE OTHERS HAVE HAD TO MAKE EXTENSIVE ECONOMIES IN THEIR
PROGRAMMES.

(D) STRESS HAS NEVERTHELESS BEEN LAID, IN MANY GOVERNING BODIES,
FINANCE COMMITTEES, ETC., ON THE NEED FOR SOLUTIONS THAT CULD
BE APPLIED IN THE UNITED NATIONS SYSTEM AS A WHOLE.

(E) SINCE NO NEW PROCEDURE IS LIKELY TO AFFORD 100 PER CENT
PROTECTION AGAINST CURRENCY INSTABILITY, SOME ADDITIONAL COSTS
COULD STILL ARISE AND WOULD HAVE TO BE DEALT WITH EX POST FACTO,
BY BUDGET SAVINGS OR ADDITIONAL APPROPRIATIONS.

(F) ANTICIPATORY MEASURES SUCH AS INCREASING THE LEVEL OF
WORKING CAPITAL FUNDS, OR SETTING UP SPECIAL RESERVES WITHIN
INDIVIDUAL ORGANIZATIONS WOULD HELP TO MITIGATE THE KIND OF
PROBLEMS THAT HAVE ARisen, BY PROVIDING AN AGREED METHOD
OF PAYING FOR THE EXTRA COSTS, BUT THEY MIGHT TIE UP FUNDS
UNNECESSARILY.

(G) A SYSTEM-WIDE RESERVE FUND WOULD CREATE EXTENSIVE
ADMINISTRATIVE PROBLEMS, WHICH MIGHT REQUIRE A WHOLE NEW
BUREAUCRATIC APPARATUS, AND MIGHT INVOLVE TRANSFERS OF RESOURCES
BETWEEN ORGANIZATIONS WITH DIFFERING MEMBERSHIPS.

(H) OF THE SUGGESTIONS THAT HAVE BEEN MADE FOR CHANGING THE
PRESENT UNIT OF ACCOUNT, THE UNITED STATES DOLLAR, FOR THE
PURPOSE OF EXPRESSING BUDGETS AND ASSESSING CONTRIBUTIONS, THE
MOST EFFECTIVE WOULD BE A SYSTEM WHICH RETAINED THE DOLLAR AS THE
BUDGETARY AND ACCOUNTING UNIT, BUT UNDER WHICH CONTRIBUTIONS
WOULD BE ASSESSED AND COLLECTED IN GIVEN PERCENTAGES OF (I)
DOLLARS, AND (II) THE CURRENCY OF THE HOST COUNTRY, AT THE
RATE OF EXCHANGE USED IN PREPARING THE BUDGET. THE PER-
CENTAGE TO BE COLLECTED IN THE HOST CURRENCY WOULD CORRESPOND
AS CLOSELY AS POSSIBLE TO THE PERCENTAGE OF THAT CURRENCY
USED FOR THE ORGANIZATION'S EXPENDITURES. SUCH A SCHEME
MIGHT NOT BE SUITABLE FOR AN ORGANIZATION LOCATED IN A COUNTRY
WITH AN UNSTABLE CURRENCY AND AN UNUSUALLY-HIGH RATE OF
INFLATION.

(I) ORGANIZATIONS SPENDING MORE THAN 80 PERCENT OF THEIR
BUDGETS IN THE HOST CURRENCY WOULD SWITCH ENTIRELY TO THAT
CURRENCY AS THE ACCOUNTING UNIT FOR BUDGETS, ACCOUNTS AND
CONTRIBUTIONS. FOR PURPOSES OF INTER-AGENCY COMPARISON
THEY COULD CONVERT THEIR FIGURES INTO DOLLARS. END TEXT.

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